

SENATE BILL REPORT

SB 5761

As of February 27, 2015

Title: An act relating to providing for property tax exemption for the value of new construction of industrial/manufacturing facilities in targeted urban areas.

Brief Description: Providing for property tax exemption for the value of new construction of industrial/manufacturing facilities in targeted urban areas.

Sponsors: Senators Pearson, Hobbs, McCoy, Bailey and Benton.

Brief History:

Committee Activity: Trade & Economic Development: 2/11/15, 2/18/15 [DPS-WM].
Ways & Means: 2/25/15.

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 5761 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Brown, Chair; Braun, Vice Chair; Chase, Ranking Minority Member; Angel, Ericksen, Frockt and McCoy.

Staff: Jeff Olsen (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305)

Background: All real and personal property is subject to property tax each year based on its value, unless a specific exemption is provided by law. Property tax exemptions authorized for multi-unit housing facilities in 1995 were established to increase residential housing and encourage affordable housing opportunities within urban areas planning under the Growth Management Act (GMA). The multi-unit housing property tax exemption provides exemptions for qualified properties from 8 to 12 years. GMA is the comprehensive land use planning framework for counties and cities in Washington. Originally enacted in 1990 and 1991, GMA establishes land use designation and environmental protection requirements for all Washington counties and cities.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Bill (Recommended Substitute): The value of new construction of industrial or manufacturing facilities that meet certain requirements is exempt from local property taxation for ten years. To qualify, an application for a certificate of tax exemption must be submitted to the governing authority before December 31, 2022, and must meet a minimum size of 10,000 square feet, an improvement value of at least \$800,000 and create at least 25 family wage jobs. Cities and counties with lands zoned for industrial and manufacturing uses as of December 31, 2014, may establish targeted areas within or contiguous to an innovation partnership zone, foreign trade zone, or EB-5 regional center. The governing authority must hold public hearings to designate targeted areas. The facility construction must meet all construction and development regulations of the governing authority, and be complete within three years from the date of approval of the application.

The governing authority may establish an application fee and must develop an application form that collects information, including a description of the project and the expected number of new family wage jobs to be created. To receive the exemption, upon completion of the new construction of a manufacturing or industrial facility, the owner must provide the governing authority with a description of the completed work, the number of new family living wage jobs to be offered, and a statement that the work was completed within three years of the issuance of the conditional certificate of tax exemption. The governing authority must determine if the work completed and jobs created qualify the project for an exemption, or if the application is denied. The governing authority must approve or deny an application within 90 days of receipt of the application. If the application is approved, the governing authority must issue the property owner a conditional certificate of acceptance of a tax exemption. Applicants that have an application denied may appeal to the governing authority within 30 days after receipt of the denial. The exemption does not apply to the state school levy, and the exemption does not apply to any county property taxes unless the governing body of the county authorizes the property to be exempt from county property taxes.

Each owner receiving a tax exemption must report annually to the governing authority granting the exemption. All governing authorities that issue tax exemptions must report annually to the Department of Commerce on the number of tax exemptions granted, the number and type of new manufacturing or industrial facilities constructed, the number of new family wage jobs, and the value of each tax exemption. If a portion of the property is changed or will be changed to disqualify an owner from receiving a tax exemption, the exemption must be canceled, and the tax on the value of the non-qualifying improvements, a 20 percent penalty, and any interest must be paid. The additional tax, penalty, and interest become a lien on the property until paid.

EFFECT OF CHANGES MADE BY TRADE & ECONOMIC DEVELOPMENT COMMITTEE (Recommended Substitute): Areas eligible to participate in the property tax exemption are expanded from only certain cities to include industrial lands within a city or county urban growth area.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill (Trade & Economic Development):

PRO: The cities of Arlington and Lake Stevens strongly support this bill to encourage companies to locate in areas zoned for industrial development. The bill is only a local property tax exemption, similar to the current multi-family housing exemption. The exemption applies to newly developed facilities, and to qualify, a company must generate at least 25 family wage jobs at \$18 per hour or more. Washington needs to land the supply chain for the 777X.

OTHER: Washington needs tools like this to compete with other states and regions. The bill should be amended to include other areas; for example, areas in the county that are zoned for industrial uses.

Persons Testifying (Trade & Economic Development): **PRO:** Al Aldrich, cities of Arlington and Marysville; Mayor Barb Tolbert, city of Arlington; Doug Levy, city of Lake Stevens; Michael Luzzo, citizen.

OTHER: Rob Allen, Pierce County Economic Development Dept.

Staff Summary of Public Testimony (Ways & Means): **PRO:** This bill is important to Marysville. We have 800 acres zoned for these uses. We need a tool – an economic development tool – to compete with other states. This could help bring high-paying jobs to the area. Lake Stevens would like to use this tool. It is a local exemption only.

Persons Testifying (Ways & Means): **PRO:** Mayor Jon Nehring, city of Marysville; Doug Levy, city of Lake Stevens.